

State of e-commerce in Bhutan, challenges and government support to improve service to consumers

by

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Introduction

E-commerce is increasingly recognized as a powerful tool for expanding economic opportunities and integrating domestic enterprises into the global market. Since the advent of the internet in Bhutan in 1999, the e-commerce sector has gradually developed, contributing to job creation, innovation and economic diversification. In recognition of its growing importance, the Royal Government of Bhutan introduced formal mechanisms to regulate the sector through the “E-commerce Guideline, 2019,” which was later reinforced by the revised “Trade and Industry Rules, 2023.” These frameworks aim to ensure the legal operation of online businesses, promote fair competition, and safeguard consumer rights.

According to the Trade and Industry Rules, 2023, e-commerce encompasses the transaction of goods or services through the internet, mobile devices, or other information networks. This includes not only physical products but also financial services, publications, cultural content, and other digitally delivered goods. All e-commerce firms are required to obtain a valid business license and operate in compliance with the Trade and Industry Rules, 2023, the Consumer Protection Act, 2012, and other applicable laws. While internet accessibility has lowered entry barriers for online businesses, it has also introduced a range of challenges, particularly with the proliferation of unlicensed sellers. These entities, operating informally and anonymously, fall outside the purview of regulatory oversight, thus exposing consumers to potential fraud and limiting access to redress mechanisms.

The main objectives of this study are to assess the current status and profile of licensed e-commerce businesses in Bhutan, identify the key operational, logistical, and regulatory challenges they face, and explore the types of interventions or support required to foster the growth of the sector in a structured and inclusive manner, that will benefit consumers.

Methodology

Of the 73 e-commerce firms registered in Bhutan, only 35 were found to be currently operational and were considered for this study. The remaining 38 entities were either non-operational or unresponsive. A total of 19 e-commerce businesses participated in the survey. Both quantitative and qualitative data were collected using structured survey forms distributed via email.

Findings and Discussion

~ Business Profile

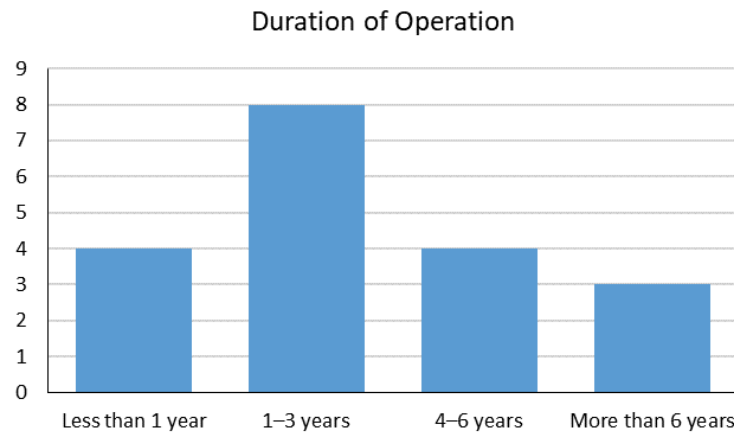
Most e-commerce entities (42%) have been in operation for 1 to 3 years, indicating a relatively young and emerging sector. This is followed by 21% of businesses that have been operating for less than a year, while another 21% have been active for 4 to 6 years. Only 16% of the respondents

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reported having operated for more than 6 years, underscoring the limited presence of long-established players in the Bhutanese e-commerce space (Fig. I).

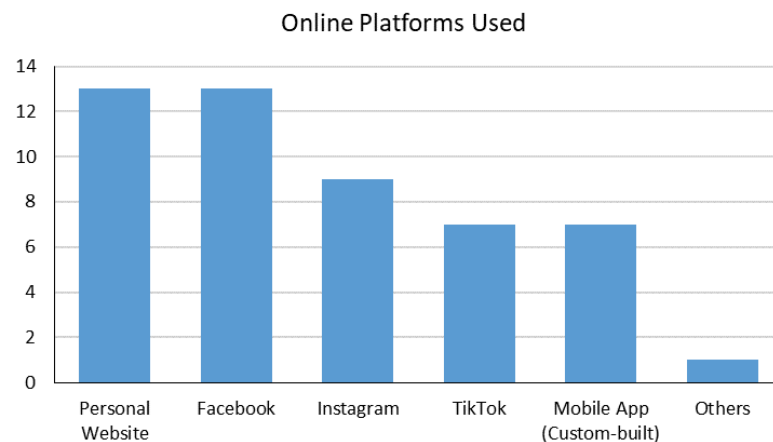
Fig. I: Duration of e-commerce operations



The majority of businesses (58%) offer retail products, followed by 37% that provide services, and 31% that operate as product aggregation platforms. Several businesses offer more than one category of product or service, reflecting diversification strategies.

Regarding the platforms used for sales, Facebook and personal websites emerged as the most widely used, each cited by 68% of businesses (Fig. II). Instagram followed with 47%, while 37% of businesses reported using customized mobile applications and TikTok, showing increasing interest in video-based platforms. Only 5% of respondents reported using platforms like WhatsApp. Overall, the data highlights the dominant role of social media and proprietary websites in Bhutan's e-commerce ecosystem.

Fig. II: Online platform most used by Bhutanese operators

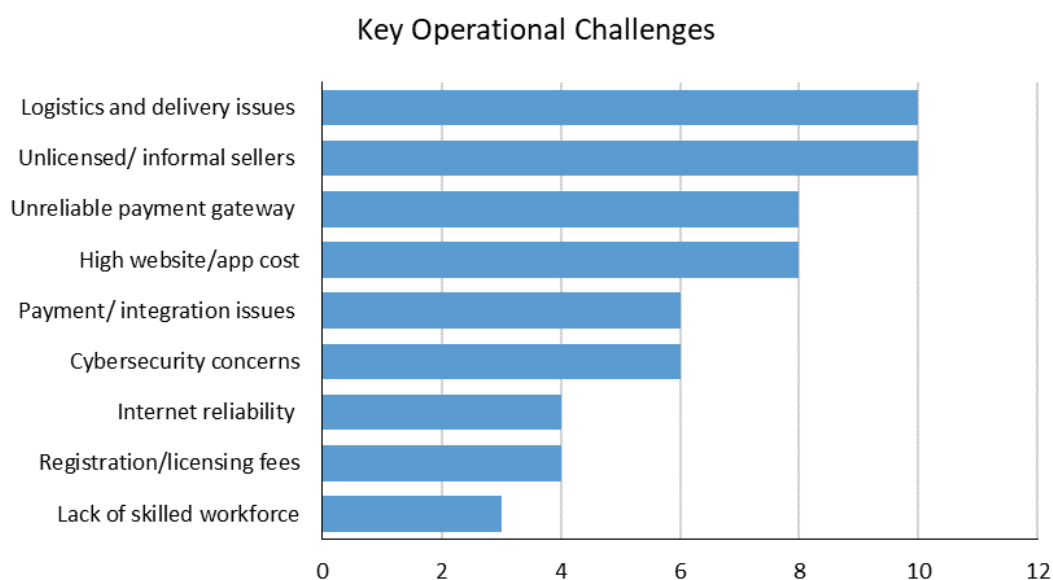


~ Operational Challenges

The most commonly reported challenges were logistics and delivery problems, as well as competition from unlicensed online sellers, each cited by 53% of respondents. These were followed by the high cost of website or app development and issues with unreliable payment gateways, both

reported by 42% of respondents. Other significant barriers included cybersecurity and data protection concerns, as well as technical difficulties in integrating with banks or digital payment systems, each affecting 32% of businesses. Additional concerns such as expensive licensing fees, inconsistent internet connectivity, and a lack of technical expertise were reported by 21% and 16% of respondents, respectively (Fig. III). Collectively, these findings highlight how operational, technical, and regulatory issues are inhibiting the sector's potential.

Fig. III: Key operational challenges faced by Bhutanese e-commerce operators



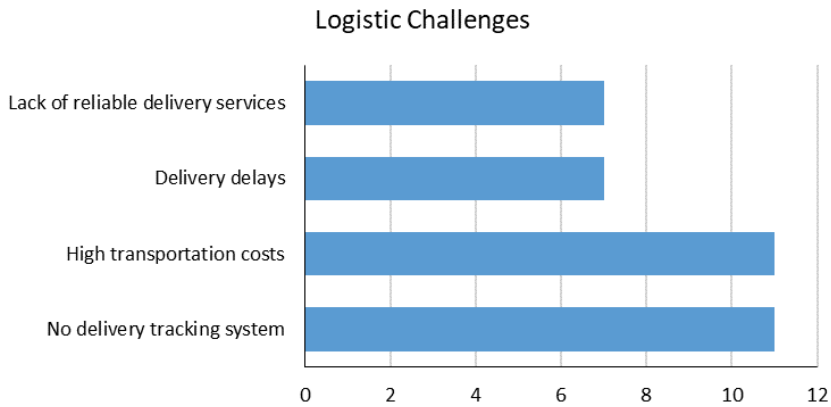
Interestingly, packaging and storage are not widely perceived as constraints. Almost 90% of e-commerce entities reported no issues related to packaging materials or storage space. Only 10% raised concerns about non-standard packaging or failure to meet international requirements. Likewise, most businesses (84%) have not faced regulatory difficulties in running their operations. The few (16%) who did report regulatory challenges were mainly involved in cross-border e-commerce, particularly in importing goods from third countries.

~ Challenges in Logistical or Delivery Services

E-commerce businesses in Bhutan predominantly rely on taxis and buses to deliver goods, both locally and to other regions. This reliance is primarily due to their accessibility and cost-efficiency. Some businesses also use private vehicles for local deliveries, while courier services are generally the least preferred for local delivery. However, courier services become the second most utilized option after taxis and buses for long-distance deliveries.

The most frequently cited logistical challenges were high transportation costs and the lack of delivery tracking systems, each reported by 58% of respondents (Fig. IV). The reliance on informal delivery methods such as taxis and buses often results in delivery inefficiencies and the absence of tracking capabilities. Additionally, 37% of respondents reported frequent delivery delays and the unreliability of delivery services. These findings underscore the need for more structured, affordable, and technology-enabled logistics systems to support e-commerce in Bhutan.

Fig. IV: Logistics challenges in Bhutan

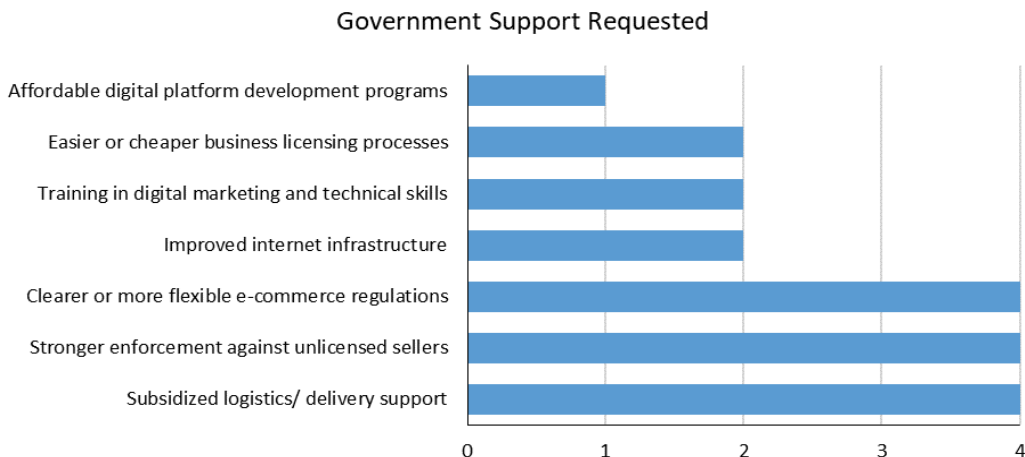


~ Government Support Needed to Boost E-Commerce Growth

While past and present government interventions represent a strong policy commitment to building a digital ecosystem, given the evolving market dynamics, there remains a need to adapt and expand these initiatives to address current gaps and ensure that e-commerce growth is inclusive, efficient, and beneficial for both consumers and businesses.

The top three types of government support identified by respondents were clearer or more flexible e-commerce regulations, stricter enforcement against unlicensed sellers, and subsidized logistics or delivery support. Each of these areas was selected by 21% of respondents. These concerns reflect a regulatory environment that, while evolving, remains unclear or unevenly enforced, and a logistical infrastructure that imposes high costs on small businesses. Other areas of support, each selected by 11% of respondents, included simplifying the licensing process, improving internet connectivity, and offering training in digital marketing and technical skills. Only 5% of the respondents identified affordable digital platform development as an immediate priority (Fig. V). Overall, regulatory clarity, fair enforcement, and logistical support are viewed as the most pressing government interventions needed to support the sector's growth.

Fig. V: Government support requested by Bhutanese e-commerce firms



Recommendations

To foster a vibrant and sustainable e-commerce sector in Bhutan, several strategic interventions are recommended based on the study findings.

Firstly, regulatory enforcement must be strengthened to address the proliferation of unlicensed online sellers. These informal operators create unfair competition and undermine consumer trust. Strong collaborative actions between the GovTech and departments under the MoICE, is required to identify and take action against such actors operating via social media platforms.

Secondly, Bhutan should invest in developing an affordable and integrated logistics network tailored for e-commerce. One viable model is to collaborate with Bhutan Post and private courier companies to establish a shared logistics platform with tracking capabilities. Relevant departments under MoICE should look at approaches of integrating public postal services with private sector innovation to support rural e-commerce delivery, as practiced in other countries.

Thirdly, the government through the MoICE could offer targeted subsidies or matching grants to help small businesses develop mobile applications or online storefronts, as is practiced in some countries. Adopting a similar initiative in Bhutan would help reduce the technological barriers faced by startups and small enterprises.

Furthermore, government support - through relevant departments of the MoICE - on training focused on e-commerce marketing, cybersecurity, and payment integration.

Lastly, expanding the reach and usability of digital payment systems in rural areas is essential for equitable participation in the e-commerce economy. Bhutan QR and mobile banking systems must be actively promoted and integrated with digital sales platforms to achieve good results.

Conclusion

Bhutan's e-commerce sector is at a crucial stage of growth. While foundational policies and programs have been put in place, emerging challenges related to informal competition, logistics, technological infrastructure, and regulatory ambiguity require more targeted and adaptive interventions. By addressing these challenges through pragmatic and inclusive policy measures, the government can create an enabling environment that supports innovation, protects consumers, and enhances the competitiveness of Bhutanese businesses in the digital age. The growth of e-commerce will directly benefit consumers in terms of convenience, more options of goods and services and better quality at lower prices.